RETIRED OFFICERS ASSOCIATION BULLETIN

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ELIMINATION AND RETIREMENT OF ARMY OFFICERS

H. R. 663—A bill to provide for elimination and retirement of officers of the Regular Army and for equalization of retirement benefits for members of the Army of the United States was introduced by Mr. Brooks and referred to the Committee on Armed Services on Jan. 8, 1947. This bill is identical with H. R. 7063, 79th Congress, which was passed by the House but died in the Senate in the last session of Congress.

Of interest to retired officers and nurses are the following provisions:

(a) Section 102 provides that the Secretary of War convene selection boards of five general officers to review the records of officers of the Regular Army for the purpose of selecting the names of officers who have failed to achieve standards of performance established by the War Department.

Section 107 provides for the review of the records of those officers heretofore removed from the active list of the Regular Army under the provisions of the joint resolution of July 29, 1941. Provision is made for a full and complete hearing in such cases and for the restoration to the active list of those officers found to have been wrongfully removed in the position and with all rights, benefits, and privileges which they would have attained had they not been removed, except those rights, benefits, and privileges based upon active service in time of war in fact not performed by such officers.

Setion 108 prohibits the payments of back pay, allowances or compensation.

(b) Section 205 of the bill under consideration provides for the retirement or for advancement on the retired list of each commissioned officer of the Regular Army in the highest temporary grade satisfactorily held by him during active military service in time of war.

(c) Subsection (b) of Section 205 provides that each member of the Army Nurse Corps, established by Chapter V of the Act of July 9, 1918, *heretofore or hereafter* retired under any provision of law to be advanced on the Nurse Corps retired list to a grade with relative rank equal to the highest grade in which, or to the highest relative rank with which, she served satisfactorily in time of war, whichever is higher, with retired pay of that rank.

(d) Subsection (c) of Section 205 applies this same principle to warrant officers and enlisted members of the Regular Army *heretofore or hereafter* retired who likewise will be retired in the highest rank held during active service during the war with retired pay based on that rank.

(e) Section 206 provides that all persons *heretofore or hereafter* retired for physical disability, with the exception of those having obvious disabilities of a permanent nature, shall be required to take annual physical examinations and that the retired pay of persons found no longer physically disqualified for service as a result of such examination shall be terminated.

In the case of a member of the Regular Army or of the Army Nurse Corps whose retired pay is terminated as a result of the contemplated annual physical examination, the Secretary of War, with the consent of the individual involved, is required to recommend to the President the nomination of such individual for reappointment to the active list of the Regular Army or of the Army Nurse Corps in the grade and with the seniority that such person would have held had he not been originally retired.

In addition to the Brooks' Bill, Mr. Sikes introduced an identical bill, H.R. 539, which was also referred to the Committee on Armed Services. It is understood that the War Department will recommend the enactment of its proposal to the last Congress which conforms to those portions of the abovementioned bills relating to the Regular Army.

Early action on this subject is being urged in Con-

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gress, especially in view of the advantageous position in which Navy, Marine Corps and Coast Guard officers were placed by the enactment of Public 305, 79th Congress. In this connection the report on H.R. 7063, the bill which failed of enactment during the last session of Congress, stated:

"It is not believed that any valid distinction exists between the type of service rendered by officers and enlisted men of the Army and the service rendered by officers and enlisted men of the Navy upon which naval prsonnel should be retired in temporary war grades while military personnel are retired in their permanent grades."

EXEMPTION OF RETIRED PAY FROM INCOME TAX

Recently the Senate Committee on Finance released a report on the general subject of the taxation of pensions and annuities. Since this report touched on the subject of military retired pay, a portion of that report and its recommendations are of interest to retired officers.

The report made the following comments concerning the exemption of Social Security and Railroad Retirement Annuities and Officers' Retirement Pay:

"More general relief measures such as the $500 exemption to persons aged 65 or more, or the upward revision of the personal exemptions would facilitate the withdrawal of the special exemptions now enjoyed by annuitants under the Social Security and Railroad Retirement Acts.

"Such measures would also facilitate a more rigorous interpretation of section 22(b) (5) so far as it relates to the retirement pay of Army and Navy officers rendered inactive by reason of medical survey. The test applied in such surveys is the fitness of the officer for continued military service. Many who fail to meet this test are at little or no disadvantage in the market for civilian employment in comparison with persons of similar age and training. Relatively few are fully incapacitated for civilian employment. If relief were provided for the aged generally, the exemption of officers' retirement pay could be limited to the portion which reflects the individual's disability with reference to civilian employment.

"The additional test which this rule requires is already being administered by the Veterans' Administration in cases where enlisted persons, discharged by reason of medical survey are applying for a veteran's pension. In such cases the claim is judged in terms of the applicant's disability from the point of view of civilian employment, and a decision is made in terms of the percentage of total disability which the applicant possesses. The same test could be applied by the Veterans' Administration to officers retired by reason of medical survey, and the results used to determine the percentage of retirement pay which is to be exempt from the individual income tax."

The report made the following suggestions for possible legislation:

"1. H.R. 2948* does not appear to be the most appropriate solution to the problems upon which its proponents base their case. Fundamentally, this is true because the problems are general in nature while

* H.R. 2948 proposed exempting from individual income tax civil service annuity payments to the amount of $1,440, annually.

H.R. 2948 benefits a very restricted group of taxpayers.

"2. One of these general problems is the erratic nature of the existing method of taxing annuities. An adequate solution requires the abandonment of the 3-per-cent rule, which is basic to the present tax, and the substitution of a method using a uniform yearly exclusion based upon the size of the annuitant's contribution and upon his life expectancy at the time the annuity period begins.

"3. The second general problem results from the rise in prices and the wartime changes in the rates and exemptions used under the individual income tax. The impact of these changes upon the aged and upon the recipients of small incomes generally has been very severe. One solution is a general revision of the rates and exemptions used under the individual income tax.

"4. In lieu of a general revision of rates and exemptions, which would require thorough study, it is the opinion of this office that adequate relief could be provided by a special exemption of $500 a year to all persons aged 65 or more. This special exemption would be in addition to existing personal exemptions. The basis for such action is the fact that as a group persons aged 65 or more are economically handicapped. A precedent for the measure can be found in the $500 deduction now allowed to the blind.

"5. The third general problem raised in the debate over H.R. 2948 is the discrimination against other taxpayers which results from the exemptions received by annuities under the Social Security and Railroad Retirement Acts, and by the retirement pay of former Army and Navy officers who were retired by reason of medical survey. If a relief measure is set up for all taxpayers or for the aged generally, the exemptions allowed to the social-security and railroad-retirement groups should be removed, and that allowed to retired officers reduced to the portion which reflects disability in the market for civilian employment."

IMPORTANT

It is to the interest of each member himself to keep current his mailing address in this office. An astonishing number of pieces of mail are returned marked "Moved—Left No Address."

To RETIRED OFFICERS ASSOCIATION,
1600 Twentieth St., N. W., Washington 9, D. C.

Date _____

Gentlemen:—

You may enroll me as a member of the Retired Officers Association. Inclosed is check for $5.00:

Entrance fee	$1.00	
Annual dues	4.00	*Fifty cents of which is for subscription to Association Bulletin.*
	$5.00	

Name _____
(Please Print)
Rank and Service _____
Mailing Address _____
City _____ Zone _____ State _____

HOUSE NAVAL AFFAIRS COMMITTEE REPORTS DISCRIMINATIONS IN NAVAL RETIREMENTS

The House Committee on Naval Affairs on January 2, 1947 reported that there has been discrimination in favor of regular officers in the matter of disability retirement. The following excerpts are quoted from the report:

"A thorough investigation into this situation revealed that the Navy and Marine Corps were applying two different standards to the officers of the Regular Establishment and to officers of the Reserve on active duty.

"A regular was retired if he incurred a disability that unfit him for any of the duties of his rank. On the other hand, a Reserve was not retired unless he was found totally disabled and unable to perform any duty at all.

"Even then, Reserves were frequently denied retirement on the presumptive basis that the disability had probably existed in a latent state prior to active duty, even if not disclosed by the examination which is given to all Reserve officers upon reporting for active duty. This presumptive device was never invoked in the cases of regulars."

* * * * * * * * *

"On the other hand, there appears to be an overly liberal and generous attitude toward disability retirement of Regular officers. This is particularly noticeable in the cases of senior officers, who are about to retire at the end of their normal career by reason of reaching a statutory retirement age.

"Disability retirement carries a retired pay of 75 per cent of the highest base pay, without regard for the number of years of service, and is income tax free. Since the whole theory of disability retirement, granting these substantial extra benefits, is to compensate an officer whose military career is prematurely cut short by reason of a service-connected disability, it is obviously an abuse of the intent of the law to give these extra benefits to an officer whose military career is just about to be completed normally."

The report also stated that there was a tendency to be very liberal in granting disability retirement to officers retired for failure of selection, to members of retiring boards, and to medical officers.

PARTIAL EXEMPTION OF RETIRED PAY PROPOSED

In a bill, H.R. 855, introduced by Mr. Clason, it is proposed to exempt from Federal Income Tax retired pay, pensions and annuity payments by Federal and State Governments to the extent of $1,440. This bill states that such income is "of such a nature that the recipients are oft-times handicapped in their standards of living by the imposition of Federal Income Taxes."

BILLS INTRODUCED TO PROVIDE EXEMPTIONS OF RETIRED PAY FROM INCOME TAX

The following bills have been introduced to exempt retired pay from Federal Income Tax payments: H.R. 884 (by Mr. Price of Illinois) $2,500 from gross income; H.R. 855 (by Mr. Clason) $1,440 from gross income; H.R. 1052 (by Mr. Potts) $1,440 from gross income; H.R. 1031 (by Mr. Allen of Louisiana) all pay received from Dec. 7, 1941 until termination of World War II; S. 200 (by Mr. Bushfield) Army, Navy, Marine Corps and Coast Guard $3,000 exclusion.

BILLS INTRODUCED TO AMEND PAY READJUSTMENT ACT OF 1942

Senator McFarland introduced S.301 and Mr. Bradley of California introduced H.R. 1035 to amend the fourth paragraph of section 15 of the Pay Readjustment Act of 1942, as amended (U.S.C., 1940 edition, title 37, sec. 115; Public Law 607, Seventy-seventh Congress), is amended to read as follows:

"The retired pay of any officer of the Army, Navy, Marine Corps, Coast Guard, Coast and Geodetic Survey, or Public Health Service who served in any capacity as a member of the military or naval forces of the United States prior to November 12, 1918, heretofore or hereafter retired under any provision of law, shall, unless such officer is entitled to retired pay of a higher grade, be 75 per centum of his active-duty pay."

The proposed amendment would remove an existing inequity by adding the words "heretofore or" before the word "hereafter" in the fifth line of the fourth paragraph of section 15 of the Pay Readjustment Act of 1942, as amended (37 U.S.C. 115). In addition the amendment would strike the words "at the time of his retirement" from the end of the paragraph, in order to conform the language to other provisions of the Act and for the further purpose of rendering the provision flexible to changes in the active duty pay status of officers, by reason of subsequent active duty or changes in basic pay legislation. Unless these words are striken, the retired pay of an officer would be frozen to the amount allowed at the time of his retirement and he would therefore not benefit by general increases in pay later provided.

REGISTRATION UNDER LOBBYING ACT

At the regular quarterly meeting of the Board of Directors on December 19, 1946, a Resolution was adopted in accordance with which the Executive Vice President and the Assistant Executive Vice President filed registration on January 6, 1947. Since the advancing of legislation for the betterment of retired officers, is a minor part of the activities of the Association, the Association itself does not fall within the purview of the Act.

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